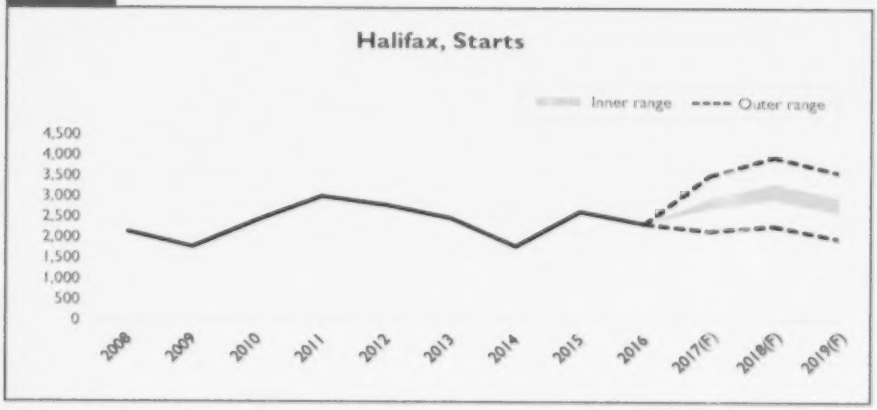
HOUSING MARKET OUTLOOK
Halifax CMA

CANADA MORTGAGE AND HOUSING CORPORATION

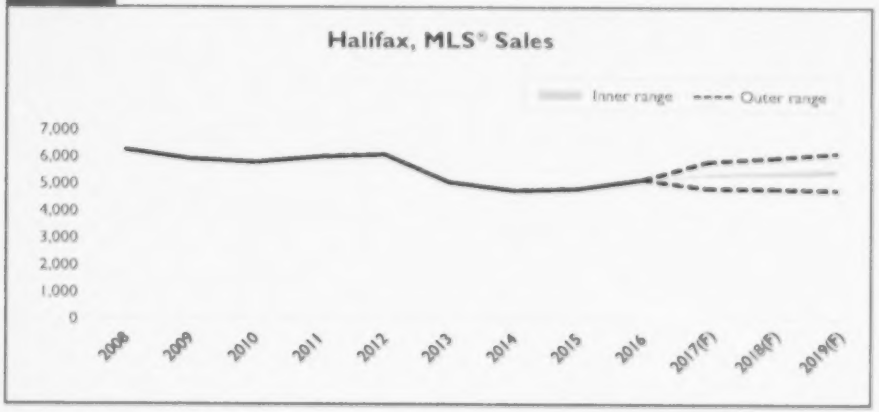
Date Released: Fall 2017

Figure 1



Source: CMHC, (F): Forecast.

Figure 2



Source: CREA; (F): CMHC Forecast.
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Construction Spending and Population Gains to Provide Economic Boost[1]

As some of the larger non-residential construction projects around the city, such as the Nova Centre, begin to wind down, economic output from the construction industry will slow as we end 2017. However, as non-residential construction slows, the residential construction market continues to expand. The manufacturing sector is also projected to remain strong as work at the Halifax Shipyard accelerates over the forecast period.

Population growth will continue to provide a boost to the economy over the next two years. Although the number of international migrants is not expected to reach the high of 2016, levels will remain elevated, due to demand from the Provincial Nominee Program and the new Atlantic Immigration Pilot Program.

[1] The forecasts and historical data included in this document reflect information available as of October 2, 2017.

Canada

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Despite strong population gains, employment growth has been weaker than expected and is forecasted to show modest growth over the next two years.

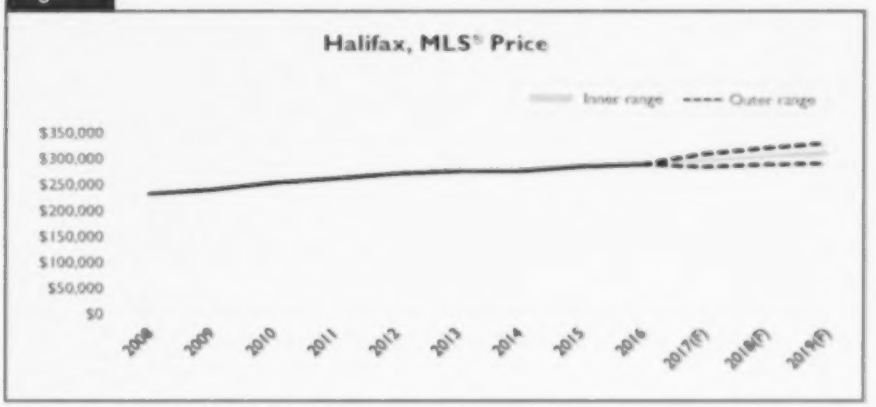
Multiples Starts will Drive Residential Construction

Housing starts this year in the Halifax CMA are expected to increase compared to 2016, driven by expansion in both the single-detached and multiples markets. Over the next two years, housing starts will remain elevated, impacted by population growth and changing demographic trends.

After falling to a low in 2015, construction of single-detached homes will continue to rebound this year, anticipated to reach a high not recorded since 2012. The majority of the single-detached construction is centralized as part of the Spryfield, Bedford South and West Bedford developments. Year-to-date, the number of absorbed single-detached units across the Halifax CMA is at the highest point in three years.

Although the singles market is showing signs of recovery, construction of multiples units continues to be the main driver of the residential new home market in Halifax. By year-end, multiples starts will outpace 2016's figures and continue to expand over the next two years. Although development has been on the rise in Mainland Halifax, over the forecast period, the Halifax Peninsula will be the central location for construction, including a mixture of both small scale and large redevelopment projects.

Figure 3



Source: CREA; (F): CMHC Forecast.
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A Decline in Active Listings is pushing up Average Prices

Halifax's resale market has experienced growth in 2017, both in terms of an increase in sales transactions and average prices. Over the forecast period, strength in the MLS® market is anticipated to continue, especially as the price gap between the existing home and new home market widens, buyers will increasingly look to the existing home market for more affordable options. The number of total active listings available on the market has been steadily declining throughout 2017, with new listings recorded in the first half of this year falling to a low not seen since 2004. If the inventory of active listings remains historically low, this will have an impact on price growth as sellers will have the upper hand in price negotiations.

The Expanding Rental Universe will Impact Vacancy Rates and Average Rents

Population growth, combined with demand from downsizing baby boomers, young professionals and international students will continue to support a stronger rental market in Halifax. However, with over 1,500 completions added to the rental universe over the past twelve months as well as an expected decline in international migration levels compared to last year's high, Halifax's vacancy rate is forecast to increase in 2017 to 2.8% and rise slightly over the remainder of the forecast period.

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The addition of new completions to the rental universe, especially those located on the Halifax Peninsula, will also cause an increase in average rents over the forecast period. New units will well exceed the average rent of $1,400 that was apparent for new construction two-bedroom units in the Halifax market over the last ten years.

Forecast Risks

Changing population growth from levels expected could create a significant impact to the forecast going forward. If international migration levels fall well below what is projected, or if more Nova Scotians decide to leave the province for opportunities elsewhere in Canada, the demand for new home construction could weaken. In addition, this risk could also impact the rental market, causing vacancy rates to rise, especially as units currently under construction reach completion and expand the rental universe.

However, if population growth well exceeds what is projected, this could also create contrary forecast risks. If the number of active listings on the resale market remains low, an increase in demand for existing homes could quickly absorb current inventory, creating sellers' market conditions and push up average prices. This risk, however, could be mitigated if current price growth provides encouragement for potential sellers to list their homes. With the pipeline for new apartment construction already strong, a rise in population may create a push to speed up project timelines, but should not have a significant impact on the number of multiples starts. However, while new projects are reaching completion, the increased demand could impact the rental market by causing a drop in the vacancy rate.

Mortgage rates are expected to rise gradually over the forecast horizon

Mortgage rates are expected to rise modestly over the period 2017-2019. This increase is consistent with the expected improvement in domestic economic conditions and the predicted increase in world interest rates.

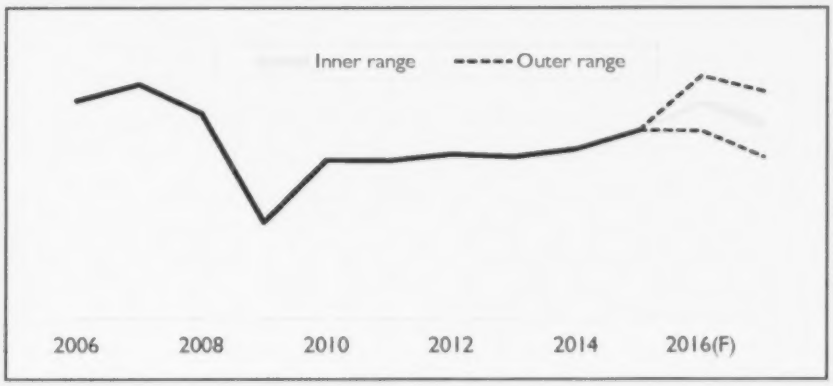
In our baseline scenario, the posted 5-year mortgage rate is expected to lie within the 4.9%-5.7% range in 2018 and within the 5.2%-6.2% range in 2019. Hence, the expected increase in this rate over 2017-2019 should be at most 160 basis points. Over our forecast horizon, mortgage rates are expected to stay below levels observed prior to the Great Recession.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.



* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Forecast Summary Halifax CMA Fall 2017									
	2014	2015	2016	2017(F)		2018(F)		2019(F)	
				(L)	(H)	(L)	(H)	(L)	(H)
New Home Market									
Starts:									
Single-Detached	511	425	567	675	725	720	760	675	725
Multiples	1,246	2,174	1,738	2,000	2,200	2,175	2,525	1,875	2,225
Starts - Total	1,757	2,599	2,305	2,675	2,925	2,895	3,285	2,550	2,950
Resale Market									
MLS® Sales	4,707	4,785	5,114	5,250	5,330	5,275	5,425	5,300	5,530
MLS® Average Price($)	273,555	282,652	287,074	291,000	297,000	297,500	306,500	301,500	314,500
Economic Overview									
Mortgage Rate(5 year)(%)	4.88	4.67	4.66	4.60	5.00	4.90	5.70	5.20	6.20

	2014	2015	2016	2017(F)	2018(F)	2019(F)
Rental Market						
October Vacancy Rate (%)	3.8	3.4	2.6	2.8	3.0	3.3
Two-bedroom Average Rent (October)($)	1,005	1,048	1,063	1,125	1,175	1,225
Economic Overview						
Population	414,073	417,724	425,871	432,800	438,900	444,600
Annual Employment Level	223,300	224,100	226,100	227,700	229,800	231,900

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 2nd October 2017. (L)=Low end of range. (H)=High end of range.

It is possible that the low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is caused by rounding as well as the volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey), Statistics Canada, Nova Scotia Association of REALTORS®, CMHC Forecast (2017-2019).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate.
Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

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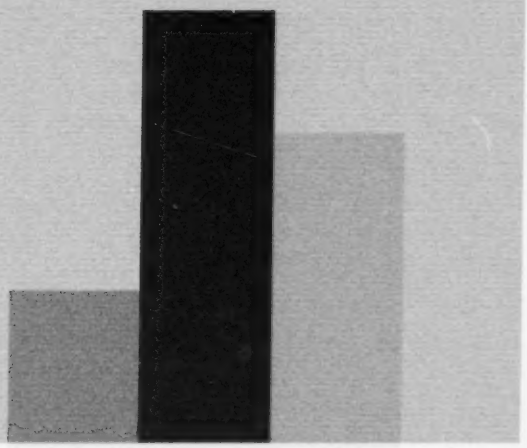

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- Housing Market Tables: Selected South Central Ontario Centres
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- Rental Market Reports, Canada and Provincial Highlights
- Rental Market Reports, Major Centres
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